

21 JAN 1974

MEMORANDUM

SUBJECT: The Paracel Islands Incident

1. Our information on the sequence of events that led to this weekend's clash between Chinese and South Vietnamese forces in the Paracels is extremely sketchy. The available record, however, suggests that it was Saigon that took the key initiatives last week. Both sides clearly have been motivated in large measure by the growing importance of the islands in the South China Sea as a potential source of oil.

BACKGROUND TO THE CLASH

2. The Paracels are a group of small coral islets, reefs, and rocks--none more than one square mile in area. Sovereignty over them, as well as over other island groups in the waters bounded by China, Vietnam and the Philippines, has been a subject of dispute since early this century. Japan occupied all these islands during the second World War. With the signing of the 1951 peace treaty Tokyo renounced claims to both the Paracels and the Spratly Islands, which lie south-east of the Paracels; at that time Taipei claimed sovereignty over the Spratlys and the Paracels, the colonial government in Vietnam claimed the Paracels, and the Philippines claimed the Spratlys. Shortly thereafter Peking claimed the Paracels, the Spratlys, and the Macclesfield bank, which lies between them. The South Vietnamese have subsequently claimed that France turned the Spratlys over to them. The Republic of China maintained a small garrison of islands of the Amphitrite subgroup, the northernmost

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section of the Paracels, but withdrew its forces in 1950. Since 1955 Peking has garrisoned most of the Amphitrite group, concentrating on Woody Island, which it may intend to develop into a forward base for its southern naval forces. In recent months the Communist Chinese have also constructed an oil rig on Woody Island.

3. The present trouble dates from a South Vietnamese statement issued in September, which reiterated a claim to the Spratlys. Initially Peking chose to ignore this claim, but on January 11 it responded with a foreign ministry statement reaffirming the Chinese claim to the Spratlys, the Paracels and the Macclesfield Bank. For the first time Peking also formally claimed the "natural resources in the sea around" the islands. At about this time the Chinese also sent some fishermen to the Crescent group, where according to the South Vietnamese, they set up huts and raised the Chinese flag. This apparently was a low-key move designed to assert Peking's claim to the Crescent group.

4. At this point Saigon switched its attention from the Spratlys to the Paracels. Early last week it sent a naval force to the Crescent group, with small contingents of marines that landed on islands not normally garrisoned by South Vietnam. These moves apparently forced the withdrawal of the fishermen. The Chinese were evidently prepared for this contingency and may well have anticipated it. Following South Vietnamese firing on Chinese fishermen on Duncan Island on January 16 they dispatched military units south, intervening with sizable naval and ground forces, as well as with air strikes. On January 18 the South Vietnamese were forced to pull out their naval units, abandoning the marines (who were accompanied by a US citizen from the Defense Attache's Office in Da Nang) on the islands.

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WHAT CAUSED THE CLASH?

5. In large part the clash clearly is an outgrowth of the gradually increasing importance of all these island groups--an importance based largely on the possibility that significant oil deposits may lie in the waters off Indochina. Saigon granted its first exploratory concessions last year for the seas near South Vietnam; Hanoi has been dickering with the Japanese and the Italians on the exploration of the Tonkin Gulf; the Chinese have been moving on their own to get into the offshore oil business. Exploration in disputed areas of the South China Sea will obviously be held up as long as the sovereignty issue is up in the air. All the parties had been moving gingerly up to the last week, however. The real question is which side, through calculation or miscalculation, upset the delicate balance in the Paracels.

6. The question is somewhat moot, since both sides were becoming more assertive and both clearly were ready to move. The key step in the escalation, however, appears to have been Saigon's military response to the move of Chinese fishermen into the Crescent group. Until this point, although Chinese forces could (and did) move quickly to the Paracels, Chinese military communications did not reflect an increased state of alert. Peking did not step up its communications until January 17--the day after the South Vietnamese forced the withdrawal of the fishermen. Moreover, Saigon's military activities have been accompanied from the start by a heavy output of public commentary, whereas the Chinese did not comment publicly at all until January 19.

7. If the key initiative was in fact Saigon's, we can only speculate on South Vietnamese motives. Saigon may simply have decided that even a civilian presence in the Crescent group was intolerable and that now was the time to make good its claim. It may

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have been gambling that once South Vietnamese forces were committed the US would feel constrained to back up its ally. Thieu may possibly have also felt that action in the Paracels would help divert domestic attention from the measures to strengthen the president that were then before the legislature.

#### PROSPECTS

8. The South Vietnamese obviously lack the ability to move back into the Paracels without Chinese acquiescence, and we see little possibility that, having gained control, the Chinese will relinquish it. We do not believe, however, that Peking will attempt to move into the Spratlys or other islands in the area, where the status quo has not been disturbed and where the situation is complicated by Philippine and Nationalist presences. Chinese treatment of the incident has stressed the line that Peking's moves were defensive; now that the Chinese position has been assured, Peking will probably stand pat.

9. This judgment is reinforced by Chinese handling of the dispute over the Senkaku Islands north of Taiwan, which flared up in late 1971 and early 1972. Many parallels between that dispute and the present one can be found, including the sovereignty question (in this case involving the Japanese and Koreans as well as the Nationalists), and the potential of large oil reserves beneath the sea. In that instance the Chinese contented themselves with a restatement of their claim to sovereignty, hinting broadly that the issue should be resolved through negotiations delimiting concession areas on the ocean floor.

10. Throughout the whole incident the North Vietnamese have not issued any commentary--even though propaganda from Saigon explicitly invited them to do so and pointed to Hanoi's silence as proof of its lack of independence. Hanoi's reticence is likely to continue, since any line the North Vietnamese take would either offend Peking or undermine North Vietnamese pretensions to sovereignty, or both.

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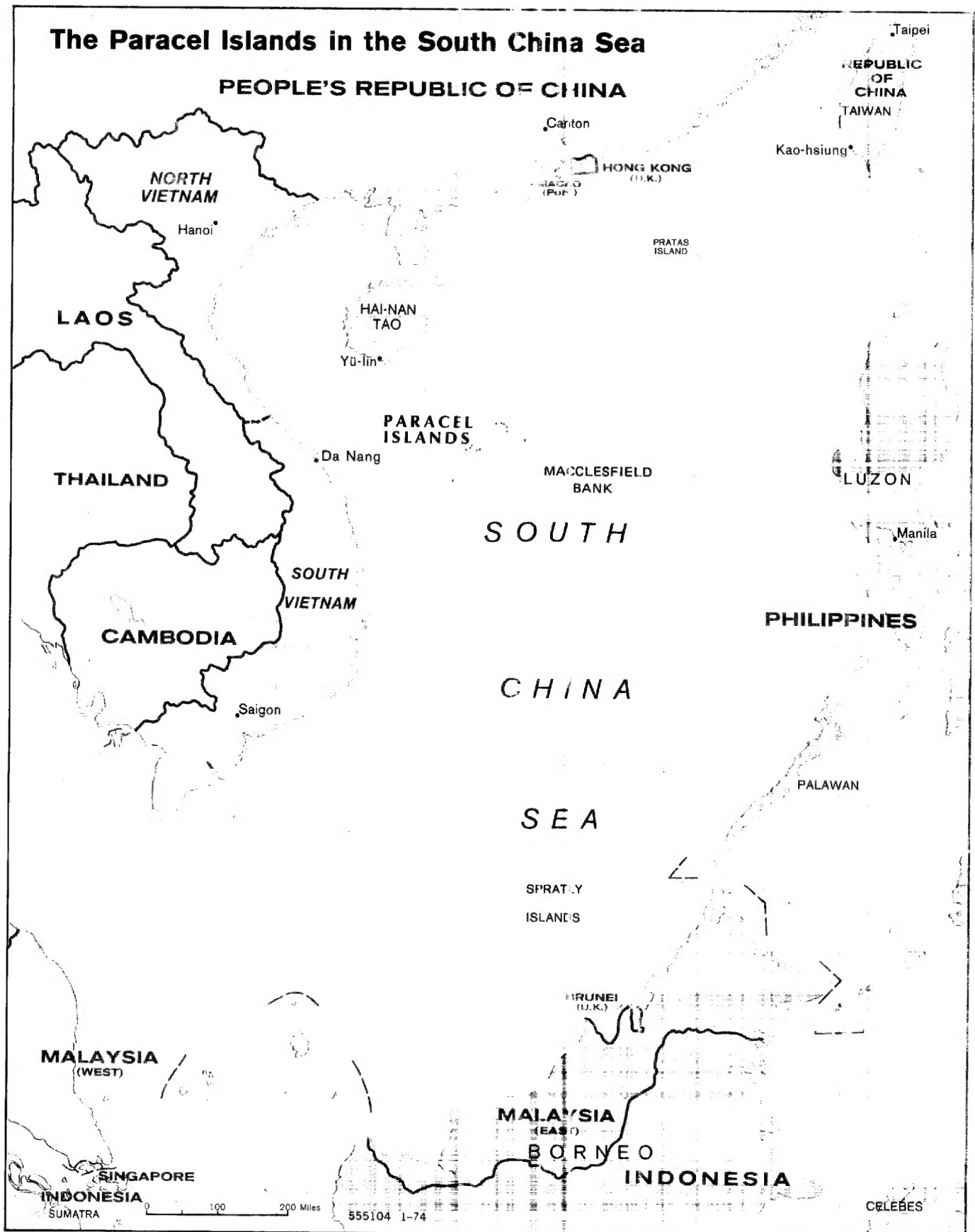
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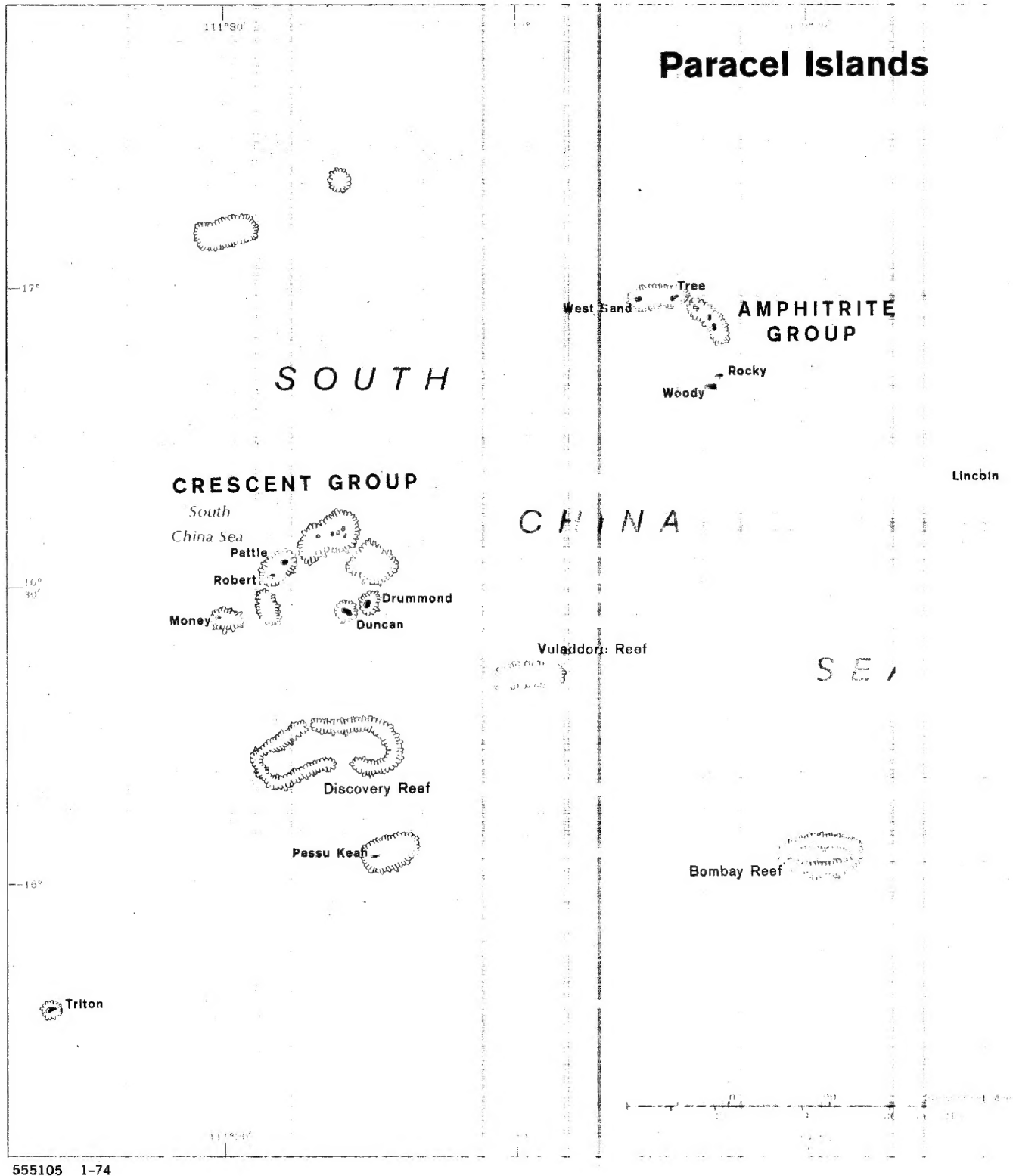
11. At Annex is a detailed chronology on the incident from DIA.

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British radar at Hong Kong at 0345 EDT reported the movement of some 17 probable BEAGLE jet light bombers from Leiyang Airfield in the western sector of Kuangchow to probable Suihsi, the southernmost airfield on the China mainland. Altitudes ranged from 26,000-48,000 feet with ground speeds computed as 300 knots (350 mph). This movement was reported complete by 0550 EDT.

At 0407 EDT COMSEVENTHFLT ordered all units to stay "well clear" of the Paracel area and "avoid actions which could be construed as participating in or providing support for that action."

As of 0800 EDT news of the actual military conflict had not reached the Saigon press. Even so some GVN newspapers condemned the NVN for keeping silent about the Chinese encroachment into the Paracels "while proclaiming that they were struggling for independence and sovereignty -- this shows that they are accomplices of Communist China."

At 0815 EDT DAO Saigon reported GVN ships HQs 4, 5 and 16 proceeding toward Da Nang with damaged main gun mounts, while HQs 11 (Patrol Craft Escort) and three unidentified patrol boats remained in the Crescent Group area. Total casualties were set at eight KIA, 39 WIA, and 79 MIA.

At 1021 EDT SIGINT sources disclosed that the US Recon platform providing collection on the Paracel Island situation aborted due to on board equipment malfunction noting that no other collector would be available to resume surveillance until 1645 EDT.

By 1045 EDT the DAO placed HQs 11 and her three patrol boats patrolling three to 16 kilometers off Pattle Island with

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MEMORANDUM FOR: ~~DDCI~~

Attached is the response to Dr.  
Kissinger's request for information  
on the Paracels. It was LDX'd to  
the White House at noon today.

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